

## Message Text

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ACTION SS-30

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TO SECSTATE WASHDC 3936

C O N F I D E N T I A L TEL AVIV 5350

EXDIS

E.O. 11652: NGD

TAGS: EGEN, IS

SUBJ: ARAB BOYCOTT OF ISRAEL

REF: STATE 164947

1.

EMBASSY ASKED MFA AND FINANCE MINISTRY OFFICIAL LAST WEEK ABOUT ALLEGED CHANGES IN ARAB BOYCOTT POLICY. THEY REPLIED THAT THEY HAD SEEN "BUSINESS EUROPE" ARTICLE (REFTEL) AND HAD HEARD RUMORS OF CHANGES IN BOYCOTT POLICY FROM OTHER SOURCES, BUT TO DATE THEY HAD RECEIVED NO CONFIRMATION. ISSUE WAS NEVERTHELESS VIEWED VERY SERIOUSLY BY GOI. DECISION HAD BEEN TAKEN AT HIGH LEVEL NOT TO INCLUDE BOYCOTT IN AGENDA FOR FIRST MEETING OF US/ISRAEL SUBCOMMITTEES BUT TO TREAT IT AS SEPARATE ISSUE. PETROLEUM IS ANOTHER SENSITIVE ISSUE WHICH IS BEING TREATED SEPARATELY.

2. ON SEPTEMBER 19, HALPERIN, SPECIAL ASSISTANT TO MINISTER OF FINANCE, REQUESTED MEETING WITH ECONOMIC COUNSELOR TO DISCUSS BOYCOTT QUESTION. HE SAID THAT PRIME MINISTER RABIN HAD RAISED QUESTION LAST WEEK IN WASHINGTON, NOTING THAT BOYCOTT WAS A HINDRANCE TO A FUTURE POLITICAL SETTLEMENT WITH THE ARABS AS WELL AS AN IMMEDIATE ECONOMIC PROBLEM. HALPERIN SAID THAT HE WANTED TO FOLLOW UP HERE TO KEEP US INFORMED OF LATEST DEVELOPMENTS. BY WAY OF BACKGROUND, HALPERIN EXPLAINED THAT IN PAST YEARS BOYCOTT HAD BEEN CONSIDERED MORE OF A NUISANCE THAN A REAL THREAT TO TRADE AND INVESTMENT. RECENTLY, CONFIDENTIAL

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HOWEVER, BOYCOTT HAD ASSUMED MORE THREATENING PROPORTIONS,

APPPARENTLY AS THE DIRECT RESULT OF THE GROWING ARAB WEALTH AND IMPORT POTENTIAL.

3. OF IMMEDIATE CONCERN TO GOI WAS RECENT DECISIONS BY MAJOR AMERICAN COMPANIES TO CEASE DIRECT RELATIONS WITH ISRAEL. FOR EXAMPLE, RAYTHEON, WHICH SUPPLIES HAWK MISSILES, AND FOOD MACHINERY CORPORATION, WHICH SUPPLIES APC'S, HAVE INFORMED GOI THAT THEY WILL NO LONGER SELL DIRECTLY TO ISRAEL AND THAT ANY FUTURE BUSINESS MUST BE CHanneLED THROUGH PENTAGON. HALPERIN SAID THAT DIRECT RELATIONSHIP WITH THESE COMPANIES IS DESORABLE FOR A NUMBER OF REASONS, E.G., ISRAEL HAS PROPOSED SEVERAL IMPROVEMENTS IN HAWK SYSTEM. OTHER EXAMPLES INCLUDE BADGER, A SUBSIDIARY OF RAYTHEON, WHICH RECENTLY REFUSED TO CONTINUE A COOPERATIVE RELATIONSHIP IN PETROLEUM REFINING IN ISRAEL WHILE ASHLAND CHEMICAL COMPANY, A SUBSIDIARY OF ASHLAND OIL, HAS WRITTEN THAT IT IS "NOW TOO DANGEROUS TO CONSIDER DOING BUSINESS WITH ISRAEL". ASHLAND ALSO HAD HAD A HISTORY OF BUSINESS RELATIONS WITH ISRAEL.

4. HALPERIN NOTED THAT IN CASTING ABOUT FOR MEANS OF DEALING WITH WHAT GOI CONSIDERED TO BE A NEW, MORE DANGEROUS BOYCOTT SITUATION, SOME OFFICIALS LEAN TOWARD A "JACKSON-TYPE AMENDMENT" TO US FOREIGN AID BILL DENYING ASSISTANCE TO ANY COUNTRY WHICH EMPLOYS TRADE BOYCOTTS. HALPERIN HASTENED TO SAY THAT THIS WAS ONLY AN IDEA AND IT MIGHT NOT BE FEASIBLE BUT CLEARLY SOMETHNNG HAD TO BE DONE.

5. HALPERIN CONCLUDED ON NOTE THAT FINANCE MINISTER RABINOWITZ WOULD CERTAINLY WANT TO DISCUSS QUESTION WHEN HE MEETS WITH SECRETARY

SIMON IN NOVEMBER AND THAT IN MEANTIME GOI WOULD BE GRATEFUL FOR US THINKING ON SUBJECT.  
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## Message Attributes

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